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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

December 30, 2005

Herbalife Ltd.

(Exact name of registrant as specified in its charter)

Cayman Islands

1-32381

98-0377871

(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(I.R.S. Employer  
Identification No.)

PO Box 309 GT, Uglan House, South Church Street,  
Grand Cayman, Cayman Islands

0000000

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

c/o (310) 410-9600

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01 Entry into a Material Definitive Agreement.**

On December 30, 2005, the Board of Directors (the "Board") of Herbalife Ltd. (the "Company"), upon the recommendation of the Compensation Committee of the Board, approved and adopted the Herbalife Ltd. Independent Directors Deferred Compensation and Stock Unit Plan (the "Plan"). The Plan provides for the annual grant of restricted stock units under the Company's 2005 Stock Incentive Plan to the members of the Board who have been determined by the Board to be independent (the "Independent Directors"). The Plan further provides for the deferred distribution of amounts earned under the Plan by the Independent Directors.

The Plan provides that on January 15, 2006, each Independent Director who is currently serving as a member of the Board will receive an award of restricted stock units under the Company's 2005 Stock Incentive Plan equal to \$100,000 in value, based on the fair market value of the Company's common shares on January 15, 2006. In addition, unless the Compensation Committee determines otherwise, on January 15 of each subsequent calendar year, beginning with January 15, 2007, the Company will grant to each Independent Director who has served on the Board continuously since January 15 of the immediately preceding calendar year an award of restricted stock units under the Company's 2005 Stock Incentive Plan equal to \$100,000 in value, based on the fair market value of the Company's common shares on the applicable grant date. Independent Directors who have not served on the Board for at least one year will receive a pro-rated number of restricted stock units. The Plan provides that each award of restricted stock units will be subject to the terms and conditions of the Company's 2005 Stock Incentive Plan and will vest in four equal quarterly installments over the 12 months following the date of grant.

Pursuant to the Plan, the restricted stock units granted to each Independent Director will be credited on the grant date to a bookkeeping account established under the Plan for each participant. The Plan provides that three years after the grant date of an award of restricted stock units under the Plan, the recipient of the award may elect to have the value of the award at that time hypothetically invested in one or more deemed investment alternatives provided under the Plan or to continue to have the value of that portion of the participant's deferral account invested in the Company's common shares.

The value of each Independent Directors deferral account under the Plan that relates to a specific award of restricted stock units will be distributed pursuant to the Independent Director's election made prior to the time each such award is granted. Independent Directors may elect lump sum or installment distributions and may elect a payout upon termination from Board service or at any time while the participant remains a member of the Board; provided that no distributions may be made with respect to an award prior to the third anniversary of the award's grant date except upon the termination of the Independent Director's service as a member of the Board. That portion of an Independent Director's deferral account that, at the time of distribution, is invested in the Company's common shares will be distributed to the Independent Director (or his or her beneficiary) in the form of common shares. That portion of an Independent Director's deferral account that, at the time of distribution, is deemed invested in any other investment alternative will be distributed in cash.

As of December 30, 2005, the Company's Independent Directors were Leroy Barnes, Richard Bermingham, Peter Maslen, and Charles Orr, each of whom is currently eligible to participate in the Plan and will be entitled to receive an award of restricted stock units as described above on January 15, 2006.

The above is a brief description of the Plan and is not intended to be complete and is qualified in its entirety by reference to the full text of the Plan and the form of Stock Unit Agreement that will evidence awards of restricted stock units pursuant to the Plan. The Plan and the form of Stock Unit Agreement are attached hereto as Exhibits 10.1 and 10.2, respectively, and incorporated herein by reference.

**Item 9.01 Financial Statements and Exhibits.**

Exhibits

- 10.1 The Herbalife Ltd. Independent Directors Deferred Compensation and Stock Unit Plan
  - 10.2 Form of Herbalife Ltd. Independent Directors Stock Unit Agreement
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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Herbalife Ltd.

*January 6, 2006*

*By: /s/ Brett R. Chapman*

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*Name: Brett R. Chapman  
Title: General Counsel*

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Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
10.1	Herbalife Ltd. Independent Directors Deferred Compensation and Stock Unit Plan
10.2	Form of Herbalife Ltd. Independent Director Stock Unit Agreement

## HERBALIFE LTD.

### INDEPENDENT DIRECTORS DEFERRED COMPENSATION AND STOCK UNIT PLAN

#### 1. Establishment of Plan; Purpose

Herbalife Ltd. (the “Company”) hereby establishes the Independent Directors Deferred Compensation and Stock Unit Plan (the “Independent Directors Plan”) for its duly elected Independent Directors (as defined below). The Independent Directors Plan provides for the award of Stock Units under Section 9 of the Herbalife Ltd. 2005 Stock Incentive Plan (the “Plan”). The Independent Directors Plan is intended to be a part of the Plan and the terms of the Plan are incorporated herein by reference.

The purpose of the Plan is to facilitate equity ownership in the Company by its Independent Directors through the award of Stock Units and to allow for deferral by the Independent Directors of compensation realized in connection with such Stock Units.

#### 2. Definitions

Unless otherwise specifically provided for herein, all capitalized terms used herein shall have the same meanings as the meanings ascribed to such terms in the Plan. In addition, the following words have the following meanings unless a different meaning plainly is required by the context:

- (a) “Deferral Account” means the accounting entry made with respect to each Participant for the purpose of maintaining a record of each Participant’s benefit under the Independent Directors Plan.
- (b) “Effective Date” means January 15, 2006.
- (c) “Grant Date” means a date on which Stock Units are granted pursuant to Section 5 of this Independent Directors Plan.
- (d) “Independent Director” means a member of the Board who, at all relevant times, has been determined by the Board to be independent.
- (e) “Participant” means an Independent Director who has received a Stock Unit award hereunder.
- (f) “Plan Year” means January 15 of each calendar year to January 14 of the next following calendar year. The first Plan Year shall commence on the Effective Date and end on January 14, 2007.

#### 3. Administration.

The Independent Directors Plan shall be administered the Committee. Consistent with Section 18 of the Plan, any question concerning the interpretation of the Independent Directors Plan, any adjustments required to be made under the Independent Directors Plan, and any controversy that may arise under the Independent Directors Plan or any award agreement issued hereunder shall be determined by the Committee in its sole and absolute discretion. All such decisions by the Committee shall be final and binding.

#### 4. Eligibility and Participation.

All Independent Directors shall be eligible to participate in this Independent Directors Plan and defer compensation and receive awards of Stock Units hereunder from time to time.

#### 5. Stock Unit Awards.

**(a) First Plan Year Grant.** On the Effective Date of the Independent Directors Plan, the Committee shall grant to each Independent Director, pursuant to Section 9 of the Plan, a number of Stock Units equal to the quotient of One Hundred Thousand Dollars (\$100,000) divided by the Fair Market Value of one Common Share on such date, rounded to the nearest whole number.

**(b) Annual Grants.** Unless otherwise determined by the Committee, on January 15 of each Plan Year beginning after Effective Date of the Independent Directors Plan, the Committee shall grant, pursuant to Section 9 of the Plan, (i) to each Independent Director who has continuously served as a member of the Board since the immediately preceding Grant Date, a number of Stock Units equal to the quotient of One Hundred Thousand Dollars (\$100,000) divided by the Fair Market Value of one Common Share on such date, rounded to the nearest whole number and (ii) to each Independent Director who commenced service on the Board during such Plan Year, a number of Stock Units equal to (A) the quotient of One Hundred Thousand Dollars (\$100,000) divided by the Fair Market Value of one Common Share on such date, rounded to the nearest whole number, multiplied by (B) a fraction, the numerator of which equals the number of days during the Plan Year in which the Independent Director served as a member of the Board and the denominator of which equals 365.

**(c) Award Agreement.** Each award of Stock Units shall be evidenced by an award agreement entered into between the Company and the applicable Participant and shall be subject to all of the terms and conditions set forth herein and in the Plan.

**(d) Terms and Conditions of Stock Units.** Stock Unit awards made pursuant to this Section 5 shall be subject to the following terms and conditions:

- (i) Unless otherwise determined by the Committee at the time of grant the value of each Stock Unit shall be equal to one Common Share (as adjusted pursuant to Section 12 of the Plan).

(ii) Subject to the provisions of this Independent Directors Plan, neither Stock Units awarded pursuant to this Independent Directors Plan nor the Common Shares subject thereto may be sold, assigned, transferred, pledged, or otherwise encumbered prior to the date on which such Common Shares are delivered to the Participant or the Participant's beneficiary designated pursuant to Section 6(c)(iii) of this Independent Directors Plan.

(iii) Unless otherwise provided in an award agreement, the recipient of an award under this Section 5 shall not be entitled to receive dividends or dividend equivalents with respect to the number of Common Shares represented by the Stock Unit award until such time as the Common Shares subject to the award have been issued pursuant to the terms of this Independent Directors Plan.

(iv) Unless determined otherwise by the Committee at the time of grant and set forth in an award agreement, subject to the applicable Participant's continuous service as a member of the Board, awards of Stock Units pursuant to this Section 5 shall become vested with respect to twenty-five percent (25%) of the number of Stock Units subject to the award on each of April 15, July 15 and October 15 of the calendar year in which the award is granted and January 15 of the calendar year following the year in which the award is granted.

(v) In the event that a Participant ceases to serve as a member of the Board for any reason, all Stock Units held by such Participant at the time of such cessation that have not yet become vested shall be immediately forfeited; provided, however, that in the event of the Participant's disability (as such term is defined in Section 22(e) of the Code) or death, the Committee may, in its sole discretion, accelerate the vesting of any unvested Stock Units then held by such Participant.

(vi) Notwithstanding anything herein to the contrary, in the event of a Change of Control all unvested Stock Units shall be deemed fully vested immediately prior to the consummation of the Change of Control.

#### **(e) Payment/Deferral of Stock Unit Awards.**

(i) On each Grant Date the Stock Units awarded to a Participant pursuant to this Section 5 shall be credited to the Participant's Deferral Account.

(ii) Subject to the applicable Participant's continuous service as a member of the Board, on the third anniversary of the Grant Date of an award of Stock Units pursuant to this Section 5, there shall be credited to Participant's Deferral Account one Common Share in exchange for each such Stock Unit awarded on that Grant Date then held in Participant's Deferral Account.

(iii) In the event that a Participant ceases to serve as a member of the Board for any reason prior to the third anniversary of the Grant Date of an award of Stock Units pursuant to this Section 5, the Company shall, within thirty (30) days following such cessation, subject to Section 16 of the Plan, issue to the Participant a number of Common Shares equal to the number of vested Stock Units subject to each such award held in the Participant's Deferral Account at the time of such cessation.

### **6. Deferred Compensation**

**(a) Contributions to Deferral Accounts.** Pursuant to Section 5(e)(i) of this Independent Directors Plan, on each Grant Date the Stock Units awarded to a Participant pursuant to Section 5 of this Independent Directors Plan shall be automatically credited to the applicable Participant's Deferral Account.

#### **(b) Distributions.**

(i) Distribution Elections. Prior to each Grant Date, each Independent Director who is eligible to receive an award of Stock Units pursuant to Section 5 of this Independent Directors Plan shall be required to complete and submit to the Committee an election on a form provided by the Company (a "Distribution Election Form") as to the timing and form of distributions from his or her Deferral Account with respect to amounts attributable to the Stock Units awarded on such Grant Date. If no valid distribution election is made with respect to an award of Stock Units, the portion of the Participant's Deferral Account that is attributable such award shall be distributed, subject to Section 5(e)(iii) of this Independent Directors Plan, in the form of a lump sum payment on the third anniversary of the Grant Date of such award.

#### (ii) Scheduled In-Service Distributions.

(1) Lump Sum or Installment Payments. A Participant may elect on a Distribution Election Form to receive distributions from the vested portion of his or her Deferral Account while he or she is still a member of the Board (an "In-Service Distribution") in (A) a single lump sum payment, or (B) annual installment payments over a period of five (5) or ten (10) years, with the amount of each payment determined as set forth in Section 6(b)(viii) of this Independent Directors Plan. If the amount a Participant elects to receive pursuant to an In-Service Distribution is less than \$\_\_\_, payment shall be made in a single lump sum. If a Participant elects to receive installment payments under (B) above, the amount of each installment payment shall be equal to the balance remaining in the portion of the Participant's Deferral Account that is subject to such installment election (as determined immediately prior to each such payment), multiplied by a fraction, the numerator of which is one (1), and the denominator of which is the total number of remaining installment payments. The installment amount shall be adjusted annually to reflect gains and losses, if any, allocated to such Participant's Deferral Account pursuant to Section 6(c)(ii).

(2) Time of Distributions. A Participant's election under this Section 6(b)(ii) must specify the future year in which the payment of the deferred amounts shall commence, provided that the year in which an In-Service Distribution of amounts attributable to an award of Stock Units is to commence must be at least three (3) years after the Grant Date of such award.

(3) Separate Annual Elections. Any desired In-Service Distribution must be separately elected for each Stock Unit award.

Thus, to elect a scheduled In-Service Distribution with respect to a specific Plan Year's Stock Units, a new Distribution Election Form must be submitted during the applicable election period. Once the applicable election period has passed, an In-Service Distribution may not be elected for that Plan Year's award.

(4) Amendment of Election. A Participant may delay the commencement of an In-Service Distribution or amend his or her election as to the form of the distribution at any time provided that (A) such amendment must be made in the manner specified by the Committee at least one (1) calendar year prior to the date the distribution would otherwise commence, (B) the amendment will not take effect until at least one (1) calendar year after the amendment is submitted, and (C) the amendment provides for the deferral of the date of payments commence for a minimum of five (5) additional years. For purposes of the limitation set forth clause (C) of the preceding sentence, distributions that are to be paid in installments (as opposed to in a lump sum) shall be treated as a single payment payable on the date the installments are due to commence. Any change in the form or timing of payment may not accelerate distributions to the Participant, except to the extent permitted under Section 409A of the Code without the imposition of the additional tax set forth in Section 409A(a)(1)(B) of the Code.

(5) Termination of Board Service Prior to Completion of In-Service Distribution. If a Participant's Board service with the Company terminates for any reason prior to receiving full payment of an In-Service Distribution or while he or she is receiving scheduled installment payments pursuant to this Section 6(b)(ii), the unpaid portion of the Participant's elected distribution shall be paid in accordance with Section 6(b)(iii) below.

(iii) Distributions upon Termination of Board Service for Reasons Other Than Death.

(1) Lump Sum or Installment Payments. As an alternative to electing an In-Service Distribution under Section 6(b)(ii) of this Independent Directors Plan, a Participant may elect on a Distribution Election Form to receive the vested balance credited to his or her Deferral Account following termination of Board service for any reason other than death in (A) a single lump sum payment, or (B) annual installment payments over a period of five (5) or ten (10) years, with the amount of each payment determined as set forth in Section 6(b)(viii) of this Independent Directors Plan. If the amount a Participant elects to receive pursuant to an In-Service Distribution is less than \$\_\_\_, payment shall be made in a single lump sum. If a Participant elects to receive installment payments under (B) above, the amount of each installment payment shall be equal to the balance remaining in the portion of the Participant's Deferral Account that is subject to such installment election (as determined immediately prior to each such payment), multiplied by a fraction, the numerator of which is one (1), and the denominator of which is the total number of remaining installment payments. The installment amount shall be adjusted annually to reflect gains and losses, if any, allocated to such Participant's Deferral Account pursuant to Section 6(c)(ii).

(2) Death of Participant. If a Participant dies prior to receiving full payment his or her Deferral Account as elected under this Section 6(b)(iii), the balance of the vested portion of such Participant's Deferral Account shall be paid to the Participant's designated beneficiary in the form of a lump sum as soon as administratively practicable following the Participant's death. The amount of any such lump sum payment shall be determined as set forth in Section 6(b)(viii).

(iv) Stock Units Awarded on Effective Date. Notwithstanding anything herein to the contrary, that portion of a Participant's Deferral Account that is attributable the award of Stock Units pursuant to Section 5 of this Independent Directors Plan on the Effective Date shall be distributed, subject to Section 5(e)(iii) of this Independent Directors Plan, in the form of a lump sum payment on the third anniversary of the Effective Date.

(v) Form of Distribution. That portion of a Participant's Deferral Account that remains notionally invested, at the time of distribution, in Stock Units and/or Common Shares shall be distributed in the form of Common Shares. That portion of a Participant's Deferral Account that is notionally invested, at the time of distribution, in any investment alternative other than Stock Units or Common Shares shall be distributed in cash.

(vi) Financial Hardship. The Committee shall have the authority to alter the timing or manner of payment of amounts credited to a Participant's Deferral Account in the event that the Participant establishes, to the satisfaction of the Committee, "severe financial hardship" (as defined herein). For purposes of this Section 6(b)(vi), "severe financial hardship" shall mean any financial hardship resulting from the illness or injury of a Participant or dependent (as determined by the Committee), the casualty loss of a Participant's real or personal property, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. In any event, payment under this Section 6(b)(vi) may not be made to the extent such emergency is or may be relieved: (A) through reimbursement or compensation by insurance or otherwise; or (B) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship. Withdrawals of amounts because of a severe financial hardship may only be permitted to the extent reasonably necessary to satisfy the hardship, plus to pay taxes on the withdrawal. The Participant's Deferral Account will be credited with earnings in accordance with this Section 6 up to the date of distribution.

(vii) Incompetence of Distributee. In the event that it shall be found that a person entitled to receive payment under the Plan (including a designated beneficiary) is a minor or is physically or mentally incapable of personally receiving and giving a valid receipt for any payment due (unless prior claim therefor shall have been made by a duly qualified committee or other legal representative), such payment may be made to any person whom the Committee in its sole discretion determines is entitled to receive it, and any such payment shall fully discharge the Company, the Company, the Committee and the Plan from any further liability to the person otherwise entitled to payment hereunder, to the extent of such payment.

(viii) Value of Stock Units on Distribution. In the event of a distribution hereunder, the amount payable to the Participant receiving such distribution shall be as follows:

(A) In the event Participant has selected an investment other than Stock Units or Common Shares, and such Participant has elected to take payment of the Deferral Account in a lump sum payout, or a lump sum payout is otherwise required hereunder, the Company shall pay the Participant an amount in cash equal to the balance in such Participant's Deferral Account as of the date elected by the Participant, or as of the date of the event requiring such lump sum payout, as the case may be.

(B) In the event Participant has selected investment an investment other than Stock Units or Common Shares, and such Participant has elected to take payment of the Deferral Account in installments, the Company shall pay the Participant annually installment payments, with each payment equal to the balance of the Deferral Account on the applicable anniversary date selected by Participant, divided by the number of installments remaining.

(C) In the event Participant has selected investment in Stock Units and/or Common Shares, and such Participant has elected to take payment of the Deferral Account in a lump sum payout, or a lump sum payout is otherwise required hereunder, the Company shall, subject to Section 16 of the Plan, issue to the Participant a number of Common Shares equal to the number of Stock Units and Common Shares in such Participant's Deferral Account.

(D) If Participant has selected investment in Stock Units and/or Common Shares, and such Participant has elected to take payment of the Deferral Account in installment payouts, such Participant shall receive on each installment payment date, subject to Section 16 of the Plan, a number of Common Shares equal to the total number of Stock Units and Common Shares in such Participant's Deferral Account, divided by the number of installments elected.

(E) Any distributions due by the Company under this Section 6 shall be made as soon as administratively feasible, but, subject to Section 16 of the Plan, in no event later than the thirtieth (30th) day after the day the amount of such payment is determined pursuant to this Section 6(b)(viii).

**(c) Deferral Accounts.**

(i) Participants' Accounts. The Company shall establish and maintain an individual bookkeeping Deferral Account for each Participant. Each Deferral Account shall be credited with Stock Units in accordance with Section 6(a) of this Independent Directors Plan, generally within five (5) business days of the third anniversary of the applicable Grant Date, and as provided in Section 6(c)(ii). Each Participant shall be fully vested in his or her Deferral Account at all times.

(ii) Earnings on Deferred Amounts.

(1) A Participant's Deferral Account shall be credited with earnings (or losses) based on a deemed investment of the Participant's Deferral Account, as directed by each Participant, which deemed investment shall be Stock Units/Common Shares or one or more hypothetical investment alternatives made available by the Committee from time to time; provided, however, that amounts credited to a Participant's Deferral Account in respect of an award Stock Units under this Independent Directors Plan must remain invested Stock Units until third anniversary of the Grant Date of such award. A Participant shall have no voting rights or any other rights as a holder of Common Shares with respect to any Stock Units or Common Shares allocated to his or her Deferral Account; provided, however, that notwithstanding the foregoing, to the extent a Participant has had Common Shares credited to such Participant's Deferral Account and the Company pays cash dividends with respect to the Common Shares, such Participant's Deferral Account will be credited with an additional number of Common Shares equal to (A) the dividend per Common Share multiplied by (B) the number of Common Shares in such Participant's Deferral Account divided by (C) the Fair Market Value of one Common Share on the date such dividend is paid to the holders of Common Shares.

(2) Deemed earnings (and losses) on a Participant's Deferral Account shall be credited to a Participant's Deferral Account on a monthly basis. Any portion of a Participant's Deferral Account which is subject to distribution in installments shall continue to be credited with deemed earnings (or losses) until fully paid out to the Participant.

(3) The Committee reserves the right to change the options available for deemed investments under the Plan from time to time, or to eliminate any such option at any time. A Participant may specify a separate investment allocation with respect any portion of his or her Deferral Account, subject to limitations imposed by the Committee. Participants may modify their deemed investment instructions each business day with respect to any portion (whole percentages only) of their Deferral Account; provided they notify the Committee or its designee within the time and in the manner specified by the Committee. Elections and amendments thereto pursuant to this Section 6(c)(ii) shall be made in the manner prescribed by the Committee.

(iii) Designation of Beneficiary. Each Participant may designate a beneficiary or beneficiaries (each a "Beneficiary") who, upon the Participant's death, or physical or mental incapacity will receive the amounts that otherwise would have been paid to the Participant under this Independent Directors Plan. All designations shall be signed by the Participant, and shall be in such form as prescribed by the Committee. Each designation shall be effective as of the date delivered to the Committee or its designee by the Participant. Participants may change their beneficiary designations on such form as prescribed by the Committee. The payment of amounts credited to a Participant's Deferral Account shall be in accordance with the last unrevoked written beneficiary designation that has been signed by the Participant and delivered to the Committee or its designee prior to the Participant's death. In the event that all the beneficiaries named by a Participant pursuant to this Section 6(c)(iii) predecease the Participant, the deferred amounts that would have been paid to the Participant or the Participant's beneficiaries shall be paid to the Participant's estate. In the event a Participant does not designate a beneficiary, or for any reason such designation is ineffective, in whole or in part, the amounts that otherwise would have been paid to the Participant or the Participant's beneficiaries under the Plan shall be paid to the Participant's estate.

**(d) Trust.** Nothing contained in this Independent Directors Plan shall create a trust of any kind or a fiduciary relationship between the Company and any Participant. Nevertheless, the Company may establish one or more trusts, with such trustee(s) as the Committee may

approve, for the purpose of providing for the payment of deferred amounts and earnings thereon. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Company's general creditors upon the bankruptcy or insolvency of the Company.

**(e) Nontransferability.** Participants' rights to deferred amounts and earnings credited thereon under the Independent Directors Plan may not be sold, transferred, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution, or pursuant to a domestic relations order, nor shall the Company make any payment under the Independent Directors Plan to any assignee or creditor of a Participant.

## **7. Rights of Participants.**

**(a) Contractual Obligation.** The Independent Directors Plan shall create an unfunded, unsecured contractual obligation on the part of the Company to make payments due under Stock Unit awards, and to make payments from the Participants' Deferral Accounts when due. Payments under the Independent Directors Plan shall be made out of the general assets of the Company or from the trust or trusts referred to in Section 6(d) above.

**(b) Unsecured Interest.** No Participant or party claiming an interest in benefits of a Participant hereunder shall have any interest whatsoever in any specific asset of the Company. To the extent that any party acquires a right to receive payments under the Independent Directors Plan, such right shall be equivalent to that of an unsecured general creditor of the Company. Each Participant, by participating hereunder, agrees to waive any priority creditor status with respect to any amounts due hereunder. The Company shall have no duty to set aside or invest any amounts credited to Participants' Deferral Accounts or Stock Unit awards under this Independent Directors Plan. Accounts established hereunder are solely for bookkeeping purposes and the Company shall not be required to segregate any funds based on such accounts.

## **8. Miscellaneous.**

**(a) Notice.** Any notice or filing required or permitted to be given to the Company under the Independent Directors Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail to the Committee, and if mailed, shall be addressed to the principal executive offices of the Company. Notice mailed to a Participant shall be at such address as is given in the records of the Company. Notices to the Company shall be deemed given as of the date of delivery. Notice to a Participant or beneficiary shall be deemed given as of the date of hand delivery, or if delivery is made by mail, three (3) days following the postmark date.

**(b) Costs of the Independent Directors Plan.** All costs of implementing and administering the Independent Directors Plan shall be borne by the Company.

## **9. Amendments and Termination**

The Company reserves the right to amend, modify, or terminate the Independent Directors Plan (in whole or in part) at any time by action of the Board or the Committee, with or without prior notice. Except as described below in this Section 9, no such amendment or termination shall in any material manner adversely affect any Participant's rights to any amounts already deferred or credited hereunder or deemed earnings thereon, up to the point of amendment or termination, without the consent of the Participant. Termination of the Independent Directors Plan shall not be a permitted distribution event, except to the extent permitted under Section 409A of the Code without the imposition of any additional taxes or other penalties under Section 409A of the Code. If payout is commenced pursuant to the operation of this Section 9, the payment of deferred amounts and earnings thereon shall be made in the manner selected by each Participant under Section 6(b)(iii) herein (other than the commencement date).

Subject to the above provisions, the Board shall have broad authority to amend the Independent Directors Plan to take in to account changes in applicable securities and tax laws and accounting rules.

## **10. General Provisions**

**(a) Additional Compensation Arrangements.** Nothing contained in this Independent Directors Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases.

**(b) No Right to Continued Service.** Neither the adoption of the Independent Directors Plan nor the award of Stock Units hereunder shall confer upon any individual any right to continued service as a member of the Board, nor shall it interfere in any way with the right of the Company to terminate the service of an individual at any time.

**(c) Arbitration.** Any individual making a claim for benefits under this Independent Directors Plan may contest the Committee's decision to deny such claim or appeal therefrom only by submitting the matter to binding arbitration before a single arbitrator. Any arbitration shall be held in Los Angeles, California, unless otherwise agreed to by the Committee. The arbitration shall be conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The arbitrator's authority shall be limited to the affirmation or reversal of the Committee's denial of the claim or appeal, based solely on whether or not the Committee's decision was arbitrary or capricious, and the arbitrator shall have no power to alter, add to, or subtract from any provision of this Independent Directors Plan. Except as otherwise required by applicable law, the arbitrator's decision shall be final and binding on all parties, if warranted on the record and reasonably based on applicable law and the provisions of this Independent Directors Plan. The arbitrator shall have no power to award any punitive, exemplary, consequential or special damages, and under no circumstances shall an award contain any amount that in any way reflects any of such types of damages. Each party shall bear its own attorney's fees and costs of arbitration. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

**11. Governing Law.**

The Independent Directors Plan and all awards made and actions taken thereunder shall be governed by and construed in accordance with the internal laws of the State of California.

**HERBALIFE LTD.**  
**INDEPENDENT DIRECTORS STOCK UNIT AWARD AGREEMENT**

This Independent Directors Stock Unit Award Agreement (this "Agreement") is dated as of this \_\_\_ day of January, 2006 (the "Grant Date"), and is between Herbalife Ltd. (the "Company") and \_\_\_ ("Participant").

WHEREAS, the Company, by action of the Board and approval of its shareholders established the Herbalife Ltd. 2005 Stock Incentive Plan (the "Plan");

WHEREAS, the Company, by action of the Board established the Herbalife Ltd. Independent Directors Deferred Compensation and Stock Unit Plan (the "Independent Directors Plan");

WHEREAS, the Board has determined that Participant is an independent director of the Company and the Company desires to encourage Participant to own Common Shares for the purposes stated in Section 1 of the Plan and the Independent Directors Plan;

WHEREAS, Participant and the Company have entered into this Agreement to govern the terms of the Stock Unit Award (as defined below) granted to Participant by the Company.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

**1. Definitions**

Defined terms in the Plan and the Independent Directors Plan shall have the same meaning in this Agreement, except where the context otherwise requires.

**2. Grant of Stock Units**

On the Grant Date, the Company hereby grants to Participant an Award of \_\_\_ Stock Units (the "Award") in accordance with the Independent Directors Plan and Section 9 of the Plan and subject to the conditions set forth in this Agreement, the Independent Directors Plan and the Plan (each as amended from time to time). Each Stock Unit represents the right to receive one Common Share (as adjusted from time to time pursuant to Section 12 of the Plan) subject to the fulfillment of the vesting and other conditions set forth in this Agreement. By accepting the Award, Participant irrevocably agrees on behalf of Participant and Participant's successors and permitted assigns to all of the terms and conditions of the Award as set forth in or pursuant to this Agreement, the Independent Directors Plan and the Plan (as each may be amended from time to time).

**3. Vesting**

Participant's Stock Units and rights in and to the Common Shares shall not be vested as of the Grant Date and shall be forfeitable unless and until otherwise vested pursuant to the terms of this Agreement. Subject to Participant's continued service as a member of the Board, the Award shall become vested with respect to 25% of the Stock Units awarded hereunder on each of April 15, 2006, July 15, 2006, October 15, 2006 and January 15, 2007 (each such date a "Vesting Date"). Stock Units awarded hereunder that have vested and are no longer subject to forfeiture are referred to herein as "Vested Units." Stock Units awarded hereunder that are not vested and remain subject to forfeiture are referred to herein as "Unvested Units."

**4. Deferred Payment**

(a) On the Grant Date the Stock Units granted hereunder shall be credited to the Participant's Deferral Account pursuant to Section 5 of the Independent Directors Plan.

(b) Subject to Participant's continuous service as a member of the Board, on the third anniversary of the Grant Date, there shall be credited to Participant's Deferral Account one Common Share in exchange for each Vested Unit then held in Participant's Deferral Account.

(c) In the event that Participant ceases to serve as a member of the Board for any reason prior to the third anniversary of the Grant Date, the Company shall, within thirty (30) days following such cessation, subject to Paragraph 12(e) hereof and Section 16 of the Plan, issue to Participant a number of Common Shares equal to the number of Vested Units held in Participant's Deferral Account at the time of such cessation.

**5. Status of Participant**

Participant shall have no rights as a stockholder (including, without limitation, any voting or dividend rights with respect to the Common Shares subject to the Award) with respect to either the Stock Units granted hereunder or the Common Shares underlying the Stock Units, unless and until such Common Shares are issued pursuant to the terms of the Independent Directors Plan, and then only to the extent of such issued Common Shares.

**6. Effect of Termination of Employment; Change in Control**

(a) General. Except as provided in Paragraphs 6(b), (c) or (d), upon the cessation of Participant's service as a member of the Board for any reason, the Unvested Units shall be forfeited by Participant and cancelled and surrendered to the Company without payment of any consideration to Participant.

(b) Death; Disability. Upon the cessation of Participant's service as a member of the Board by reason of Participant's death or disability (as such term is defined in Section 22(e) of the Code), all Unvested Units shall vest as of the date of such termination of employment.

(c) Change in Control. Upon the occurrence of a Change in Control, the vesting of the Award shall be accelerated such that 100% of the

aggregate number of Stock Units subject to the Award (as set forth in Paragraph 2 above) shall be or become Vested Units as of immediately prior to the consummation of the Change in Control.

## **7. Withholding and Disposition of Common Shares**

(a) Generally. Participant is liable and responsible for all taxes owed in connection with the Award, regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Award. The Company does not make any representation or undertaking regarding the treatment of any tax withholding in connection with the grant or vesting of the Award or the subsequent sale of Common Shares issuable pursuant to the Award. The Company does not commit and is under no obligation to structure the Award to reduce or eliminate Participant's tax liability.

(b) Payment of Withholding Taxes. Prior to any event in connection with the Award (e.g., vesting or payment in respect of the Award) that the Company determines may result in any domestic or foreign tax withholding obligation, whether national, federal, state or local, including any social tax obligation (the "Tax Withholding Obligation"), Participant is required to arrange for the satisfaction of the amount of such Tax Withholding Obligation in a manner acceptable to the Company.

(i) By Withholding Common Shares. Unless Participant elects to satisfy the Tax Withholding Obligation by an alternative means in accordance with Paragraph 7(b)(ii), Participant's acceptance of this Award constitutes Participant's instruction and authorization to the Company to withhold on Participant's behalf the number of Common Shares from those Common Shares issuable to Participant at the time when the Award becomes vested as the Company determines to be sufficient to satisfy the Tax Withholding Obligation.

(ii) By Other Payment. At any time not less than five (5) business days before any Tax Withholding Obligation arises (e.g., a distribution date). Participant may notify the Company of Participant's election to pay Participant's Tax Withholding Obligation by wire transfer, cashier's check or other means permitted by the Company. In such case, Participant shall satisfy his or her tax withholding obligation by paying to the Company on such date as it shall specify an amount that the Company determines is sufficient to satisfy the expected Tax Withholding Obligation by (i) wire transfer to such account as the Company may direct, (ii) delivery of a cashier's check payable to the Company, Attn: General Counsel, at the Company's principal executive offices, or such other address as the Company may from time to time direct, or (iii) such other means as the Company may establish or permit. Participant agrees and acknowledges that prior to the date the Tax Withholding Obligation arises, the Company will be required to estimate the amount of the Tax Withholding Obligation and accordingly may require the amount paid to the Company under this Paragraph 7(b)(ii) to be more than the minimum amount that may actually be due and that, if Participant has not delivered payment of a sufficient amount to the Company to satisfy the Tax Withholding Obligation (regardless of whether as a result of the Company underestimating the required payment or Participant failing to timely make the required payment), the additional Tax Withholding Obligation amounts shall be satisfied in the manner specified in Paragraph 7(b)(i).

## **8. Plan Controls**

The terms of this Agreement are governed by the terms of the Independent Directors Plan and the Plan, as both exist on the Grant Date and as amended from time to time. In the event of any conflict between the provisions of this Agreement and the provisions of the Independent Directors Plan and/or the Plan, the terms of the Independent Directors Plan or the Plan (as applicable) shall control, except as expressly stated otherwise in this Agreement. The term "Section" generally refers to provisions within the Independent Directors Plan or the Plan; provided, however, the term "Paragraph" shall refer to a provision of this Agreement.

## **9. Limitation on Rights; No Right to Future Grants; Extraordinary Item**

By entering into this Agreement and accepting the Award, Participant acknowledges that: (a) Participant's participation in the Plan is voluntary and (b) the grant of the Award will not be interpreted to form an employment relationship with the Company or any Subsidiary. The Company shall be under no obligation whatsoever to advise Participant of the existence, maturity or termination of any of Participant's rights hereunder and Participant shall be responsible for familiarizing himself or herself with all matters contained herein and in the Plan which may affect any of Participant's rights or privileges hereunder.

## **10. Committee Authority**

Any question concerning the interpretation of this Agreement or the Plan, any adjustments required to be made under the Plan, and any controversy that may arise under the Plan or this Agreement shall be determined by the Committee (including any Subcommittee or other person(s) to whom the Committee has delegated its authority) in its sole and absolute discretion. Such decision by the Committee shall be final and binding.

## **11. Transfer Restrictions**

Any sale, transfer, assignment, encumbrance, pledge, hypothecation, conveyance in trust, gift, transfer by bequest, devise or descent, or other transfer or disposition of any kind, whether voluntary or by operation of law, directly or indirectly, of (i) Unvested Units, (ii) Vested Units or (iii) Common Shares subject to such Unvested Units or Vested Units shall be strictly prohibited and void; provided, however, Participant may assign or transfer the Award to the extent permitted under the Independent Directors Plan, provided that the Award shall be subject to all the terms and condition of the Independent Directors Plan, the Plan, this Agreement and any other terms required by the Committee as a condition to such transfer.

## **12. General Provisions**

(a) No Waiver. No waiver of any provision of this Agreement will be valid unless in writing and signed by the person against whom such

waiver is sought to be enforced, nor will failure to enforce any right hereunder constitute a continuing waiver of the same or a waiver of any other right hereunder.

(b) Undertaking. Participant hereby agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either Participant or the Award pursuant to the express provisions of this Agreement.

(c) Entire Contract. This Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. This Agreement is made pursuant to the provisions of the Plan and will in all respects be construed in conformity with the express terms and provisions of the Plan.

(d) Successors and Assigns. The provisions of this Agreement will inure to the benefit of, and be binding on, the Company and its successors and assigns and Participant and Participant's legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person will have become a party to this Agreement and agreed in writing to join herein and be bound by the terms and conditions hereof.

(e) Securities Law Compliance. The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by Participant or other subsequent transfers by Participant of any Common Shares issued as a result of or under this Award, including without limitation (i) restrictions under an insider trading policy, (ii) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the Award and/or the Common Shares underlying the Award and (iii) restrictions as to the use of a specified brokerage firm or other agent for such resales or other transfers. Any sale of the Common Shares must also comply with other applicable laws and regulations governing the sale of such shares.

(f) Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to any awards granted under the Plan by electronic means or to request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, and such consent shall remain in effect throughout Participant's term of service with the Company and thereafter until withdrawn in writing by Participant.

*[signature page follows]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

HERBALIFE LTD.

By: \_\_\_

Name:

Title:

PARTICIPANT

\_\_\_\_\_  
[Participant]